

Eastern Bank

Boston, Massachusetts

**Gary Leach, Senior Vice President
Community Development Lending Group Head**

- Eastern Bank, headquartered in Boston, MA, has \$8.7 Billion in assets and serves more than 450,000 consumers and businesses across eastern Massachusetts through over 100 banking and insurance offices.
- The bank's CRA assessment area includes 932 contiguous census tracts in eastern Massachusetts.
- Eastern is considered a large bank for CRA Assessment purposes.
- Eastern Bank is mutually-owned and has a long-standing tradition of charitable giving. In 2013, Eastern contributed \$5.2 Million to its Charitable Foundation.

- Community Development Lending is a business line within the bank's Commercial Banking Division.
- CDFI's, CDE's and non-profits including health centers, charter schools and social service agencies along with non-profit affordable housing developers and solar developers make-up the majority of the group's client base.
- With approximately \$500 Million in loan outstandings and an equal amount in deposits, the business line has been profitable and has a long history of negligible charge-offs and problem loans.

- Eastern Bank interacts with a number of CDFI's and CDEs':
 - Boston Community Loan Fund
 - Massachusetts Housing Partnership
 - Community Economic Development Assistance Corporation
 - Massachusetts Housing Investment Corporation
 - Accion
 - Nuestra Commercial Markets Fund, LLC

- Interaction is on multiple levels:
 - Eastern bankers serve on boards and various committees
 - These companies utilize bank products and services: loans; deposits; and treasury services
 - Eastern participates in loans with CDFI's and invests in loan funds and projects via purchases of tax credits.

Massachusetts Housing Investment Corporation

- Eastern Bank and the Massachusetts Housing Investment Corp (MHIC), a CDE, have a close relationship dating back 20 years.
- MHIC is the for-profit subsidiary of the Massachusetts Housing Corporation, a CDFI loan Fund.
- MHIC was founded by a consortium of banks and corporate investors to provide loans for the construction and permanent financing of affordable rental housing.
- Eastern bankers serve on MHIC's board and on various loan, investment and tax credit advisory committees.

Massachusetts Housing Investment Corporation

- MHIC has received significant New Markets Tax Credit allocations from the CDFI Fund since the program was created in 2001 (\$767 Million including the most recent allocation).
- Eastern has invested in excess of \$25 Million in tax credit investments (both low income housing and new markets) in MHIC-led funds and participates in MHIC's loan fund.
- Eastern has provided leverage loans to facilitate the development of a variety of projects using New Markets Tax Credits provided by MHIC.
- NMTC functions as equity (although it may be structured as part of the debt stack) and helps offset costs that may exceed final project value.

- Investors in NMTC transactions receive a federal tax credit equal to 39% of the qualified equity investment in Qualified Active Low-Income Community Businesses. The credits are claimed over seven years.
- A leverage loan is a loan to the upper tier of a two-tier structure. The loans are interest-only for seven years and are typically structured to avoid an event of recapture for the equity investors.
- Eastern Bank has worked with MHIC on many transactions, including: charter schools, health centers, Boys and Girls Clubs, teen centers, theaters, youth hostels; skilled nursing facilities; and office and manufacturing facilities
- These projects have been underwritten jointly by MHIC and Bank staff.

Fraunhofer Center – Sustainable Energy Systems Research in Boston's Innovation District



Girls, Inc. Headquarters in historic Old Lynn High School



Hostelling International Boston – 380 bed youth hostel



Leonard Florence Center for Living – 100 bed skilled nursing facility in Chelsea, MA



Risk Management

- Underwriting of the underlying business is consistent with typical commercial bank debt underwriting; most of the businesses or non-profits are established and have a need to expand or build a new facility.
- All of the usual aspects of a construction loan and an owner-occupied real estate loan need to be considered.
- When the venture is a start-up, credit support via guaranties are generally required.
- The project budgets typically include significant reserves to cover start-up costs and fund potential future operating deficits.

Risk Management cont.

- Typically the non-profit users will include a capital campaign as one of the funding sources and bank debt may also bridge these funds.
- The NMTC investments have a seven year compliance period and the loans are typically structured as seven year term loans with stand-still provisions to avoid recapture by investors.
- Transactions need to be structured to ensure that the debt can be retired at maturity or refinanced.
- NMTC deal structures can be complex and experienced legal counsel is a must for structuring and documenting transactions.

Benefits of CDE Partnership to Bank

- Due to the requirement that property be located in low income areas, loans and investments generally qualify for CRA credit.
- The CDE adds real value in the initial structuring of the transaction and in the ongoing asset management and compliance review.
- In the event of a problem, the CDE is there to help with restructuring, if necessary.

Community Outcomes

- NMTC's create both temporary construction jobs and permanent jobs along with improved facilities for many non-profits in low income areas.
- Other specific benefits from the examples shown include:
 - Girls Inc. and its staff of 31 people are able to enrich and enhance the lives of over 2,000 girls in need from the greater Lynn community each year in a centralized, safe and cheerful environment

Community Outcomes - Continued

-The Fraunhofer Project serves as a cornerstone for Boston's Innovation District and a catalyst for the development of other projects in the immediate neighborhood

-Leonard Florence Center makes available 50 beds to very-low income Medicaid-eligible households and provides skilled nursing care in a “home-like” environment to the underserved high-level disabled with ALS and MS and first Urban Green House in the country creating an asset for the community and a model of care-giving from which the rest of the nation can learn.

Community Outcomes - Continued

-The 380 bed Hostel International facility is generating \$2.8 million in state and local tax revenues; providing affordable accommodations for over 37,000 visitors per year; along with 30 full time employees at HI-Boston with an emphasis on local hiring

Eastern Bank

265 Franklin Street

Boston, MA 02110

617-897-1018

www.easternbank.com